Recovery of loans by banks

369. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that the reports have been coming for quite some time that at times Banks resort to the use of coercive methods for recovery of loan in case of default;

(b) whether Government are also aware that many Banks have outsourced their loan recovery to private companies which at times use musclemen to recover the amount and these agents insult the person and make all kind of threatening calls to the person and his family:

(c) what are the guidelines of the RBI in this regard; and

(d) what action has been taken against such banks and how many complaints have been received by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Reserve Bank of India (RBI) has reported that incidents of alleged use of coercive methods by some banks for recovery of loans in case of default has come to their notice. There are some banks that have outsourced their loan recovery to private recovery agencies for assisting them in follow-up of loan recovery from defaulting customers. On receiving reports in respect of use of musclemen and harassment of the defaulting customers, RBI takes up the issue with the respective banks for appropriate action.

(c) and (d) As per RBI guidelines on Fair Practice Code for Lenders issued in May, 2003, it is *inter-alia*, stipulated that in the matter of recovery of loans, the lender should not resort to undue harassment *viz.* persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.

RBI has issued instruction to all commercial banks/NBFCs (excluding Regional Rural Banks) in November, 2005 regarding Credit Card Operations, these *inter-alia* stipulate that their agents should not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts. This includes acts intending to humiliate publicly or intrude the privacy of the credit card holders family members, referees and friends, making threatening and anonymous calls or making false and misleading representations. In case of any violation of extant guidelines by a bank, appropriate regulatory action is taken by RBI.

The Code of Banks' Commitments to Customers formulated by Banking Codes and Standard Boards of India (BCSBI) provides, *inter-alia*, that the collection policy of the bank be built on courtesy, fair treatment and persuasion and the bank follows a security repossession policy in consonance with the law.

The IBA has formulated a "Model Code for collection of dues and repossession of Security" which has been recommended to banks in January, 2007 for adoption

and implementation. The Model Code, *inter alia*, provides that banks commit to maintaining the dignity and respect of customers in their Debit Collection Policy and not follow policies that are unduly coercive in collection of dues.

Difficulties in filing of Income Tax Returns

370. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that filling up tax forms this time has become big problem for the ordinary people and even the two-page form ITR-1 meant for individuals having income from salary, pension and interest, requires expert assistance when it comes to filing returns;

(b) if so, what is prompting Government to keep on changing the format everytime and forcing people to go to the consultants; and

(c) what was the reason behind discontinuing 'Saral' form?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Income-tax Department has undertaken a comprehensive exercise to computerize all its business processes. In line with the best international practice, electronic receipt of return is an integral part of this exercise. It was, therefore, necessary to redesign the return forms so as to make them annexure-less and make them amenable to electronic filing. This initiative was undertaken for the first time in respect of returns for assessment year 2006-07. The return forms for assessment year 2006-07 were reviewed by the Parliamentary Standing Committee on Finance and certain recommendations were made.

The income tax return forms are assessment year specific and are, therefore, required to be notified separately for every assessment year. Keeping in view the recommendations of the Parliamentary Standing Committee on Finance, the legislative changes, feed back from the public and the Institute of Chartered Accountants of India and the need for computerization, the Government notified a new series of income tax return forms ITR-1 to ITR-8. These forms have been made user friendly by providing detailed instructions for the guidance of tax payers.

Therefore, a tax payer would not require any expert assistance in filling the return forms if he follows the instructions carefully. However, if a tax payer continues to have any difficulty in this regard, he can access any Help Centre of the Income-tax Department for assistance.

(c) The earlier 'Saral' form neither provided the steps for computation of income nor did they provide any kind of guidance/assistance leading to the computation of a taxpayer's tax liability. They were, therefore, not user-friendly. Further, separate computation sheet running into couple of pages, TDS certificates, account statements and other documents were invariably annexed to the earlier 'Saral' form. Thus, the earlier 'Saral' form was not compatible with the electronic mode of filing returns. Hence, it was decided to discontinue with the earlier 'Saral' form.